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Poverty and the ballot box

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Why are poor democracies not better at ending poverty?

ONE of many ways in which the Chinese economy outperformed India's in the last two decades of the 20th century was in reducing poverty. In China, the number of people living on less than \$1 a day, adjusted to reflect purchasing power, fell by about 400m, according to the World Bank. In India, the figure dropped by just 70m. There are many explanations for this, such as India's higher birth-rate. But it is nonetheless, for democrats, a puzzle, and something of an embarrassment.



India, unlike China, is a vibrant democracy with a proudly robust habit of turfing lousy governments out of office. The poor not only represent a big chunk of the electorate; they also, proportionately, vote more than the rich do. As Larry Diamond, of the Hoover Institution at Stanford University, puts it in a recent essay in a collection* published by the World Bank, one would logically expect such a democracy to choose "leaders, parties and policies that favour poverty reduction". Yet, in this respect, at least, China's unelected heavies have done better.

This is a dismal conclusion for democrats, though most, like Mr Diamond, argue that the fault lies not with democracy itself so much as its partial implementation or hijacking by elites. Another new book†, by Bimal Jalan, a leading Indian economist and former governor of the central bank, lists some of the woes afflicting Indian politics, such as the rise of small parties, the dwindling of inner-party democracy and the shrinking role of Parliament in ensuring accountability. "For the poor in India," he concludes, the political system "does not have much to offer—except the periodic satisfaction of casting their votes."

In another chapter of the World Bank book, Ashutosh Varshney, a political scientist at the University of Michigan, writes that India's record in eradicating poverty is "neither extraordinary nor abysmal". However, he makes the disturbing suggestion that some of the reasons India and other democracies have not done better are related to the structure of democratic politics itself.

As with "tigerish" rates of economic growth, the "miracles" in reducing poverty have occurred almost exclusively in dictatorships. But so have the disasters—sometimes in the very same dictatorship. Amartya Sen, an Indian-born Nobel-prize-winning economist, has noted that democratic India, unlike its colonised predecessor, has avoided famine. China, on the other hand, suffered in 1959-61 probably the worst man-made famine in history, in which 30m may have died.

In poverty-reduction, as in growth, India is typical of other developing-country democracies,

having achieved steady but not spectacular success. It is a small group: precious few poor countries have been democracies for very long—Botswana, Costa Rica, Jamaica, the Philippines, Sri Lanka and Trinidad & Tobago, and a few others. Mr Varshney excludes Malaysia, which has eradicated poverty, as “at best half a democracy”. Other countries have democratised after becoming quite rich.

Voting one's caste

Why might democracy militate against poverty reduction in poor countries? Mr Varshney has two suggestions. First, democracies have a bias towards “direct” methods of tackling poverty, such as subsidies and hand-outs, which, in the long run, are less effective than “indirect” methods—ie, those that generate faster economic growth. In India, this seems undeniably true. Governments have built up whopping budget deficits, thanks largely to subsidies. Many farmers, for example, receive subsidised or free fuel, fertiliser, electricity and water. But little public money is spent on improvements that would do most to lift the growth rate: in infrastructure, primary education and basic health care. Everybody wants better roads, and nobody votes against them. But every politician promises to build them and hardly any do. Cutting subsidies, on the other hand, is a sure vote-loser.

Second, the poor are not necessarily a homogenous group. In a democratic system, they may organise themselves along lines other than economic class and “the shared identities of caste, ethnicity and religion are more likely to form historically enduring bonds”. If you are born poor, you may die rich. But your ethnic group is fixed. In India, with its myriad linguistic and caste-based groups, the upshot is a dispiriting beggar-thy-neighbour politics. Just as subsidies are easier to deliver than are roads and schools, so are affirmative-action schemes, giving jobs to members of specified castes.

The relationship between caste and class helps explain the wide regional discrepancies in India. Mr Sen has noted that in one Indian state, Kerala, infant mortality has fallen from 37 per 1,000 in 1979, the same as in China, to ten now, compared with 30 in China. He suggests that the improvement relates directly to India's democratic strengths. The collapse of the public health system in China in the reform era was possible because there was little political resistance, whereas the deficiencies of Indian primary health care are subject to constant public scrutiny. Mr Varshney points to another explanation for Kerala's good performance in reducing poverty: the “remarkable merging of caste and class”. This made the poor better-organised and more cohesive. Such a coincidence, he says, is rare. In most places, ethnicity and class cut across each other.

Even where they do, however, democracy, still young in the poor world, may yet prove better at reducing poverty than despotism has been. One of its many unquantifiable advantages is a capacity for self-improvement. In dictatorships, if the people are lucky, rulers may learn from their mistakes. In democracies, so can the people. In time, they may even get it right.

* “Measuring Empowerment: Cross-disciplinary Perspectives”, edited by Deepa Narayan. World Bank, 2005

† “The Future of India: Politics, Economics and Governance”, Penguin India, 2005